

Counter-Intelligence in the Services

The counter-intelligence activities of the three armed services are, generally speaking, of two kinds: personnel security, both of uniformed personnel and of civilians employed by the service establishments; and counter-espionage proper, carried on domestically and in overseas areas of occupation. The first of these, personnel security, chiefly involves administrative action within the service, both to procure information by means of semi-covert investigation, and to protect against potential breaches of security which may be demonstrated to exist as threats as a result of the investigation. Personnel security action may afford useful information on foreign capabilities in the field of subversion, but it rarely provides any precise insight into the patterns, techniques, etc., of foreign espionage, sabotage or counter-espionage activity. The second kind, counter-espionage, does furnish such insight, but differs from personnel security procedures more radically than has often been supposed within the services. In particular, it requires a form of positive action which goes far beyond the mere application of administrative procedures, into the realm of

difference between personnel security and counter-espionage is perhaps best illustrated by the experience of the Army Counter-Intelligence Corps during the last war. Trained in this country almost exclusively in the techniques of personnel security, such as background investigation, file check, etc., and given indoctrination which emphasized apprehension and neutralizing of positive suspects, the CIC found itself largely unprepared to cope with the requirements of field counter-intelligence in operational theatres, particularly in Europe. In order to meet the threat of actual agents rather than of merely disaffected or possibly subversive Americans, it revamped its training course and reoriented its personnel. To a lesser extent the Navy was faced with the same problem, since the techniques of investigation, analysis of potential risk from subversion and the like, no matter how well elaborated, were inadequate training for field intelligence and counter-intelligence operations in the Far East.

Extensive concentration upon personnel security as an intelligence problem (in some respects, the intelligence problem) was characteristic of the Army and Navy in the period prior to the

Spanish Civil War, the emphasis of Axis dictatorships on ideological missionary work abroad, and (supposedly) the success of German subversive activities <sup>in Norway, France etc</sup> among the French in 1940, seemed to underline the importance of passive defense against subversion inspired by actual or potential enemies. Hence both services devoted large staffs and extensive funds to field investigation of individuals belonging to the services or employed by them in order to forestall possible enemy penetration.

The entry of the military intelligence agencies into the field of personnel investigation on a substantial scale, and the [assumed] magnitude of the personnel security problem, <sup>resulted in</sup> produced an executive order as early as 1939 which established an Interdepartmental Intelligence Conference, comprising the chiefs of military and naval intelligence and of the FBI. Its function was to coordinate investigative and other responsibility with respect to suspected espionage, sabotage, counter-espionage or subversion; despite its title, it had nothing to do with [the extent or adequacy of so-called] positive intelligence collection or production. As a result of the Conference's deliberations, a basic delimitation of investigative responsibility for each field was established. As revised in

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statement of interdepartmental investigative jurisdiction, and thus of general responsibility in the fields covered by the document.

Briefly summarized, the Delimitation Agreement assigns responsibility for investigation of all civilians to the FBI in cases involving espionage, counter-espionage, subversion and sabotage. The military services, on the other hand, are made responsible for investigations in these categories when military personnel or civilians employed by the services are involved. The agreement provides for exchanges of information, and gives the FBI certain special authority in reporting on the activities of civilian organizations "designated to combat Fifth Column groups." Entire investigative responsibility is allocated to the services in certain territorial areas, and rather detailed provisions are included covering relative responsibility in periods of martial law, and of periods of predominant military interest, not involving martial law.

The terms of the Delimitation Agreement of 1942 are currently being reviewed in order to bring them into conformity with conditions which have arisen since its drafting. Under Presidential directive, the sole responsibility for investigating civilians suspected of disloyalty and employed by any Federal Agency rests

*except war. May 1942*

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civilians, it has involved a basic change in existing procedures for investigations by the military services. The entire organization of the Air Force as a separate arm has occurred subsequent to the drafting of the agreement, and Air Force investigative responsibility has yet to be officially recognized in it. Consideration of these questions has raised still others which require settlement. Pending revision, however, the Agreement allocates responsibility along the lines set forth above.

The three services deal with personnel security problems through roughly similar staff agencies at headquarters and in the field, both in the U.S. and abroad. In the Army and Navy, these are integral parts of the intelligence apparatus, although the Provost Marshall General of the Army assumes some investigative responsibility with respect to industrial plants holding classified contracts placed by any branch of the National Military Establishment. The Air Force, however, has assigned investigative responsibility to a Special Investigating Division under the Air Inspector General rather than to the Directorate of Intelligence, and has made it responsible for cases involving fraud, etc., as well as those related to security. The Intelligence Directorate, for its part,

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control and release of classified information. So far as the Army and Navy are concerned, however, personnel security investigations are conducted under the supervision of the Intelligence Division and the Office of Naval Intelligence respectively.

In each staff unit, security intelligence procedure involves about the same tasks; defining the terms which require investigations of individuals, and directing the investigative activities of field units to a greater or less extent; studying and analyzing the information obtained by direct investigation and by exchange with other agencies with a view to establishing trends and patterns in subversion, and if possible information on foreign espionage activities; and maintaining a central file of information on individuals and various forms of subversive and espionage activity.

Actual investigations are conducted in the Army by Counter Intelligence Corps personnel assigned to tactical and area commands. Such policy direction as they receive is provided by the Security Group of the Intelligence Division, but is largely limited to broad definition of the types of circumstances or individuals which require investigation. The organization in the Navy Department is somewhat similar, but involves closer headquarters control over

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Officers of the several continental and territorial naval district headquarters. As a result of nearly ten years' intensive growth, the investigative staff of the Navy has attained a level of technical proficiency which approximates that of the FBI or other federal professional investigatory units. In the Air Force, the Special Investigating Section of the Air Inspector General is now being organized under the direction of a general officer formerly an official of the FBI. It will administer its field investigative activities through 21 regional offices staffed by Air Force CIC personnel, and by small CIC detachments assigned to major air commands and numerous air forces throughout the U.S. and overseas.

Each service separately undertakes its own study and analysis of information procured in the course of investigations by its own service, and of data concerning espionage, subversion and sabotage which it collects from other agencies and through its own field personnel. Thus the Security Group of the Army includes a domestic intelligence section which studies the personalities, organization, and capabilities of subversive or potentially subversive organizations, and makes general surveys of the domestic situation with particular

respect. Approved For Release 2003/05/27 : CIA-RDP86B00269R000500050105-5 might  
impede the performance of the military mission. Elsewhere, in the  
Intelligence Group, the Pan-American branch includes a "subversive"  
unit studying the activities and potentialities of subversive  
organizations and foreign intelligence staffs and activities in  
all countries including the continental U.S., but excluding the Soviet  
Union, which is the subject of study by the responsible geographical  
specialist within the Group. The section contributes its own es-  
timates of the existing capabilities of subversive organizations  
to impede mobilization, interfere with military production and  
promote disaffection within the U.S. It also studies the extent  
to which subversion could affect the military strength of actually  
or potentially allied nations. To a considerably more limited extent,  
the Air Force also conducts its own research into the domestic  
security situation, and some study of the activities of foreign  
intelligence services operating against the U.S. The Office of  
Naval Intelligence has a separate section devoted to similar  
analysis. It makes periodic reports on security developments.  
A special unit of ONI is devoted to analyzing the structure,  
personalities and activities of the Russian intelligence services



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in conjunction with CIA (OSO). This unit, which has access to

special source material, is mainly concerned with research rather than with the production of current intelligence or estimates.

In addition to field investigative activity and study of counter-intelligence matters, each of the three agencies maintains a central file of information on individuals and organizations. Certain topical files are also maintained, such as the Army's listing of Communists and Communist sympathizers who may seek reenlistment in the service, or may be recruited by draft. The Navy similarly maintains a special Merchant Marine Suspect List. All three agencies are charged further with defining policies on the release of classified information, and granting permission for visits to plants holding classified contracts, etc.

In considering the activities of the three services in this field, it is impossible to ignore the broadly parallel interest of the FBI in the same activities. As we have indicated, FBI has investigative responsibility in all cases of espionage, counter-espionage, sabotage and subversion involving civilians not employed by the services. Since the overwhelming majority of civilians are not so employed, it is evident that the FBI jurisdiction, in point

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of number of actual and potential cases, far exceeds that of the

services singly or jointly. The FBI predominance becomes strikingly clear in connection with the analysis of subversive trends within the U.S. because most of the sources of information on such subjects are within the exclusive jurisdiction of the FBI under the Delimitation Agreement. The responsibility of the FBI to furnish the military agencies with information on "important developments" of an internal security nature, including those affecting plants holding military contracts, cases of actual and strongly presumptive espionage and sabotage, developments affecting vital utilities, and those affecting vital points of the communication and transportation system, is a recognition of the services' interest in information which would normally be available only to the FBI if derived solely from investigative action. As a result of the Delimitation Agreement, the FBI does supply the respective services with a massive flow (several thousand reports per month) of information on particular cases which may involve service interest, or fall into one or another of the categories of special interest outlined above. The FBI does not, however, provide the services with analyses and estimates of foreign espionage, counter-espionage or subversion within the

studies of the Soviet party apparatus or the Soviet intelligence systems, and provides information on these subjects to them only as they are contained in reports on individuals and on subjects investigated by the FBI. Analysis of them for the purposes of, for example, an estimate of the subversive potential of the Soviet in the U.S., must thus be made by the interested service or services on the basis of "raw" investigation reports provided by the FBI. In this connection, it should be noted that the FBI chooses the reports which will be transmitted to the services, and does not ordinarily give them access to its files or lists of active cases for them to decide their needs. In effect, it rejects the "reading panel" concept of dissemination.

Relations between the FBI and the military agencies are particularly important in matters involving emergency measures against possible sabotage or overt action stemming from subversion. Such cases are covered only by the general provisions of the Delimitation Agreement for the exchange of information. Neither CIA nor any other agency has responsibility to coordinate the analysis and evaluation of the information of this character among

the several agencies, as to whether or not further investigation or  
other action which may be taken by the intelligence agencies  
as distinct from operational staffs. This defect of organization  
shown recently when the FBI received information tending to suggest  
an imminent act of sabotage. Although the original data were shared  
promptly with the departmental services, no common evaluation of  
it was reached, and further investigative action was taken without  
consultation by the FBI. The incident, which nearly involved  
movement of bodies of troops, fully illustrates the independent and  
non-coordinated character of security intelligence activities among the  
agencies concerned.

The security intelligence activities of the services are  
undertaken with two purposes in mind. The first is essentially  
administrative, i.e., protection of the services from espionage,  
sabotage, etc., directed against them by their own personnel.  
Security of this sort is a function of command, and the method of  
assuring it involves the entire mechanism of investigation, analysis  
of information and determination of security risk in order that  
administrative action in the form of discharge, reassignment, or  
exclusion from classified information can be taken by the appropriate  
authority. (This is the

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themselves decide upon administrative action to be taken. Their responsibility is to assemble properly collected and analyzed information on the basis of which administrative action may be taken by others).

The second purpose is that of counter-intelligence properly speaking. Individual efforts of greater or less scope are undertaken in the three services to arrive at some understanding or estimate of service security from the point of view of subversion, possible sabotage and (at present) the efficacy of the Soviet political apparatus. To what is generally a limited extent, both the Army and the Navy estimate the subversive capabilities of the Soviet Union against the U.S., and in the course of a recent, detailed survey of the strategic vulnerability of the country, I.D. Army, made an extensive examination of FBI files as well as of material already available to it in an effort to arrive at an accurate approximation of Russian subversive capabilities in this country.

No formal mechanism for coordination of service estimates with respect to internal security now exists. It is true the consultation on conclusions, analyses, etc., occurs between them, and the FBI is consulted on particular problems; but to all

is conducted separately, and estimates are prepared independently. Neither as a matter of coordination of intelligence activities or of intelligence opinion does the CIA concern itself with this subject, partly, perhaps, because it recognizes that its own intelligence collection responsibilities so far as counter-intelligence is concerned are confined to areas abroad rather than to the U.S. proper. Needless to say, CIA's responsibilities for the coordination of intelligence activities relating, as this does, to the national security, are not so limited, but are not exercised in any case.

There is, indeed, no agency of the government now responsible for an overall estimate of subversive potentialities in the United States, or of the general level of our internal security. In part this question involves matters beyond the scope of intelligence alone---plant protection, security of processes, production schedules, etc. Yet no agency has the recognized responsibility of preparing, or of coordinating the preparation of, specific intelligence estimates of threats to internal security for the use of the NSC or the JIC.

Having thus considered the activities of the services in the

their position with respect to counter-espionage proper. This is difficult to define because the point at which activities clearly of a security intelligence nature become counter-espionage, and the corresponding point at which counter-espionage projects are identical with security activities is impossible to determine precisely. Yet it is clear that, with some exceptions, the bulk of service counter-intelligence activities are essentially devoted to personnel security and the security of information rather than to systematic and sustained detection and penetration of organized foreign intelligence networks. Such activity, when it occurs, is more likely to be the by-product of security activities as now pursued than to be a major end in itself.

So far as the individual services are concerned, the Air Force Directorate of Intelligence does not engage in counter-espionage and the Special Investigating Division conducts security investigations and receives information on individuals whose loyalty and reliability may be questioned, but does not attempt to penetrate the organization, activities and operations of foreign intelligence services. Although interested in the results of counter-intelligence, and able to make some contributions to it from security work in the U.S.

The Office of Naval Intelligence is somewhat more deeply involved in counter-espionage as such. It has, as has been indicated, a small group studying the form and activities of Soviet intelligence services, and in so far as the results of this research may assist actual operations, it can be considered counter-espionage activity. Analysis of the subversive threat to the naval establishment, which goes on elsewhere in ONI, is not, however, of a distinctively counter-espionage nature.

In certain security investigations ONI has had occasion to deal with members of activist groups of the U.S. Communist Party who have apparently had intelligence objectives. In this sense, ONI has conducted actual counter-espionage. In such cases investigation and surveillance have been conducted in close cooperation with the FBI. Yet so far as it has been possible to determine, ONI has handled such cases primarily from the point of view of security rather than as a penetration operation. Lacking full knowlege of the circumstances, it is not possible to suggest whether such handling might or might not have been justified. Cases such as these, however, are as close as ONI comes to actual counter-espionage work.

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Counter-Intelligence Corps in the field, has engaged in rather more counter-espionage work than either of the other services. The Security Group of I.D. headquarters has not been much involved in such undertakings, except for purposes of internal security analysis and estimation, and for this it has relied on the FBI to a large extent. The CIC, however, both in Germany and in Japan, has devoted considerable energy to counter-espionage abroad despite the explicit terms of NSCID #5 which assigns counter-espionage abroad, except for security of military installations, exclusively to CIA. The activities of the CIC include the use of informant networks, penetration agents and the other paraphernalia of counter-espionage; and at least in two instances, it has operated double agents. By its very nature, such counter-espionage cannot be limited to a single area; and part of it results from CIC's extensive positive intelligence work conducted on instructions from Army commanders in regions surrounding the occupied areas. CIC relations with CIA in occupied areas are variable, and criticism stems from both sides against the effectiveness of the covert operation of the other. Neither gives full recognition to the fact that

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CIC is supposed to concentrate on tactical intelligence objectives,

the CIA on strategic; and CIC has clearly interpreted NSCID #5

with great latitude in justifying its own counter-espionage

activities in occupied areas specifically allocated to CIA as the

sole authority responsible for this form of intelligence work.

Direction of CIC activities originates with the field commanders to whom CIC units are attached, and who exercise it under very broad directives from the Intelligence Division. The Security Group of I.D. thus has nothing directly to do with CIC, and CIC headquarters at Fort Holabird, Md., does no planning or directing of operations, but limits its activities to procurement, training and assignment of CIC personnel. Since local commanders may use CIC as they see fit, and in some instances have assigned them to criminal investigation activities and the like despite the fact that such employment is inconsistent with Army directives and CIC training. Nevertheless, the carryover of wartime counter-espionage experience within the ranks of CIC officers and men has contributed to effective definition of counter-espionage targets, and to single-mindedness in pursuing them. Overall directives in overseas areas where CIC is most engaged in activities of this kind do depend, however,

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upon the interest of the local field commander, and on whether or not

fruitful field for CIC operations. Thus there is no general control or coordination of the Army's own counter-espionage work, just as there is no effective superior control of all counter-espionage activities of the several agencies, military and civilian, engaging in it.

An important question with respect to service counter-intelligence, both security intelligence and counter-espionage, is whether the extent to which these activities are engaged in limits or hampers the necessary concentration of the departmental agencies upon their dominant collection and production responsibilities with respect to positive intelligence. Prior to the second World War, the bulk of the intelligence activities of the Army and the Navy were devoted to "anti-fifth column" measures of one sort or another, and with the exception of communications intelligence, there was relatively little collection and analysis of foreign intelligence which could be considered realistic in terms of the war which subsequently occurred. Hence the question of over-emphasis on security intelligence is important. With respect to the Air Force the answer seems to be clear: at the present stage, at least, in its development, the

functions, and those that do remain in it are entirely overshadowed by the very active and real concentration on positive intelligence questions of importance to Air Force planners and to the JCS. In the Army, the situation is similar, although the concentration upon counter-intelligence at lower echelons is greater owing to widely ramified activities of the Army CIC. The Navy, however, devotes some 30 per cent of its entire intelligence budget and a comparable number of personnel, to what are in the main security intelligence undertakings. Since ONI operates on a scant budget at best, and since its current intelligence responsibilities are very demanding, it seems probable as a result that strategic intelligence of a peculiarly naval sort may receive less emphasis than might be desired. It is clear, however, that the traditional and fully justified concern of the Navy over the security of its personnel should not be curtailed, but that the budget and allotment of personnel to positive intelligence should be increased.

In discussing counter-espionage we have mentioned both the FBI and the CIA as being involved in addition to the service intelligence agencies. Domestically, of course, the FBI is responsible

at least not directly involving service personnel or civilian employees of the services. Hence it conducts the greatest share of cases involving actual and potential foreign espionage, and exchanges its materials with the service agencies similarly engaged, when common interests are affected. As a result, all three agencies receive a very substantial flow of FBI case report material both in the field and at headquarters. Such material is selected by the FBI, however, and does not in all cases receive automatic distribution. Very few collated reports of espionage activity are prepared and circulated by FBI, and these are provided generally only as a result of request. The FBI does not contribute estimates of the domestic security situation to the JIC or to department agencies except in the form of raw material as indicated. In the absence of a single agency or individual charged with coordinating internal security intelligence activities of all kinds, no overall estimate of the state of domestic security can be made by any agency with any assurance that its conclusions will be based upon the most comprehensive knowledge available. A possible exception has been the recent Army study of the strategic vulnerability of the U.S., but research into domestic security counter-

intelligence and counter-espionage matters made at that time are  
not sustained.

Abroad, the situation is comparable with respect to the CIA, which is formally charged with all counter-espionage including that in occupied areas. Although CIA operations are necessarily more disparate than those of the FBI, and are nominally not paralleled or duplicated by those of the services, in point of fact they are conducted simultaneously with those of the services, particularly CIC. The interchange between CIA and the services on counter-intelligence matters, however, is not especially close at headquarters, and varies with the staffs involved in the field. Estimates of the comparative strength of foreign intelligence networks and of subversive penetration by potential enemies into friendly foreign nations are sometimes reported in the form of positive intelligence, and not as counter-intelligence findings. Information upon which to base such estimates is potentially available from CIA, but the bulk of it is never disseminated.

On the basis of the above consideration of counter-intelligence as performed by the services, it is possible to make certain general observations concerning the adequacy of the arrangements which are now in force.

as distinct from counter-intelligence or security intelligence, is not particularly well understood in the services, except for some CIC personnel in overseas areas. As a result security is stressed at the expense of counter-espionage and opportunities for counter-espionage penetration or exploitation which arise in connection with security investigations are lost or at least not exploited. This is a result of lack of indoctrination into the objectives of effective counter-espionage, and also a result of the predisposition of the services to place security ahead of counter-espionage. In ONI, at least, concentration of resources and personnel on security and counter-intelligence has the effect of depriving strategic naval intelligence of emphasis which it properly deserves. The solution to this problem is not, however, a reduction of emphasis on security, but a possible increase in positive intelligence activities.

Relations of the military services with the FBI are generally favorable so far as the exchange of security investigation case reports is concerned, but inadequate in terms of the larger questions of counter-espionage.

internal security, and such estimates as the military services produce are based only upon what FBI material the FBI chooses to make available. The FBI interprets its responsibilities with respect to the military agencies according to the strict terms of the Delimitation Agreement of 1942, as amended, and does not provide them with internal security estimates.

As a result, no definitive estimate of the internal security position of the nation is forthcoming from any agency. Although under consideration by the NSC, the internal security problem is not yet solved; and no final solution can be fully satisfactory which does not provide for regular analyses of the threat to internal security which is represented by foreign intelligence activities and subversive movements.



Report of  
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